

**TOURISM IN
WEST YELLOWSTONE, MONTANA**
and

Its Effect on the Ability of the
Town to Deliver Municipal Services

SUMMARY REPORT

Made Possible by

**THE OLD WEST
REGIONAL COMMISSION**

December 1979

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Submitted by
Harry W. Conard, Jr.

Submitted to
Town Council of West Yellowstone

December, 1979

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Harry W. Conard, Jr.

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INTRODUCTION

The following report represents a summary of the findings of an investigation into tourism in West Yellowstone, Montana and its effect on the ability of the Town to deliver municipal services.

The research effort was conducted in four phases. Phase I developed information to define the role of tourism in the community. Phase II sought to develop mechanisms using existing authority to recover costs from tourist users and from other governmental agencies. Phase III developed suggestions for legislative changes which would enhance the ability of the community to recover costs from tourists, and Phase IV attempted to inform the leaders of the community about the sources of assistance which they could use in addressing the problems identified in the previous reports.

Reports were generated for the Town Council on each of the phases of the research effort. This report is a summation of these findings and is an attempt to provide insight into the very difficult effort the community now has in financing local services whether used by local citizens or tourists.

Interviews were conducted to determine perceptions of the current situation in the community. During the interviews with local officials, town services were identified, impressions of tourism impacts on the community and its government were obtained, and estimates of tourist usage of municipal services were given.

In addition to local interviews, personnel from the various state agencies which impact the local government were also contacted and interviewed. Concentration was placed on locating information which would lead to an understanding of the community's tourism impacts. Also, perceptions by state officials were obtained on the relationships between tourism and town services. Finally, interviews were conducted with officials of the U.S. Park Service to determine plans for Yellowstone National Park and to obtain information which would assist in identifying visitors to the area.

After the initial perceptions of tourism in West Yellowstone were gathered, existing records and data sources were examined (at the state and local level) to locate information which would indicate tourist usage of municipal services.

Every attempt was made to obtain evidence which was documentable. However, this was often impossible. For example, West Yellowstone has a municipal swimming pool. Records kept by pool managers reflected only revenue produced during a day and did not indicate which user was a tourist or a local resident. Therefore, only those departments for which sound data was available are discussed in this report.

Thirdly, information on tourism was gathered from existing sources. Copies of the most recent national and regional studies were examined to provide background information for the study. A computer search on the topic of tourism impacts as they related to local government services was also conducted by the Montana Outline Reference Service of the State Library. According to the data banks searched, it was determined that this topic has not been thoroughly researched. In an attempt to fill this void, officials at the U.S. Travel Service were contacted to obtain topical research tracts that had not yet been entered into the computer data banks.

Finally, since records for the most part do not exist which would accurately pinpoint tourist usage of West Yellowstone town services, it was necessary to develop a

method whereby tourist impacts could be inferred. To accomplish this, a comparison method of examination was used. A search was conducted to find towns in the state with similar populations that did not receive heavy tourist impacts.

Officials at the Montana League of Cities and Towns and the Montana Department of Community Affairs (the state agency charged with assisting local units of government) were contacted for this input. As a result of these consultations, five communities were selected as towns which most conformed to the above criteria and which would make useful and valid comparisons. Information on selected expenditures in these five towns was collected. This cost information was then averaged for the 5 base towns and then compared to expenditures in West's departments. The departmental expenditures cited in this report are only those services in which comparisons were valid because of similar services.

As a result of using these research techniques, an accurate description of tourism impact on West Yellowstone's services can be made. To enhance the reader's understanding of the framework of the report, each chapter is briefly described in the following paragraphs.

Chapter 1 - A brief history of the town is given as well as an analysis of the economic structure of the town. The municipal services offered by the town are listed and those that receive tourist impacts are noted.

Chapter 2 - Any description of tourism impacts on West Yellowstone cannot be made without providing information on tourist activity at Yellowstone National Park and the relationships of such activity to West Yellowstone. These are given in this Chapter.

Chapter 3 - The key departments which have heavy tourist demands placed upon them are discussed. The discussion is centered on those departments which in themselves do not generate revenue -- namely, general governmental services, police/crime control, fire , streets, and parks. To determine tourist generated costs, in these key departments, comparisons are made to the average expenditures in the 5 base towns.

Chapter 4 - The financing of local services is examined in this chapter including those federal, state, and county programs which are available to West Yellowstone.

Summation - The findings of this report are given, and the ability of the town to provide services to its citizens and to tourists is drawn into perspective.

Finally, there is a problem which requires definitional clarification at the onset; What is a tourist?¹ Is a summer laborer a resident? For the purposes of this study, the following distinctions developed by the researcher will be used:

A Resident - A person residing in the community for more than four months, who either owns property in the community, returns to the town on an annual basis, or intends to reside in the community (ie. clear identification with the community as a place of residence).

B Seasonal Resident - A person residing in the community for less than four months who is working in the area or otherwise occupied but intends to return to another location for schooling, living, etc. , (ie. main identification with another area as a base).

C Tourist - A person making a brief visit to the area of less than a month and who is primarily engaged in leisure-time activities and is not seeking employment in the area for more than a very short duration (ie. motivation for activities centered around recreation not income production).

CHAPTER 1: THE TOWN OF WEST YELLOWSTONE

As Maine goes, so goes the nation. This old national election maxim can be paraphrased to describe West Yellowstone. As the Park (Yellowstone National Park) goes, so goes West. This fundamental fact must be understood in order to begin to comprehend the town and its economy; the two are inexorably linked.

THE TOWN'S PAST

Settlement in the West Yellowstone area began in 1884, with the establishment of the "Grayling Inn" situated about five miles from the current townsite. Real settlement activity began in 1907, when the Union Pacific completed its Idaho Short Line Railroad to the West Gate of the Park. During the next few years the town grew as more tourists visited, even before the site was separated from the National Forest. Its existence was derived from tourism then and the fact is still true today. The battle by the residents of the townsite to obtain deeds for the land upon which they built their stores was intimately linked with the prevailing attitudes of the U.S. Government and Superintendents of the Park. The area was controversial in the minds of some of these officials because liquor was sold in the community. Finally, on December 5, 1919, President Woodrow Wilson, by Executive Order, withdrew about

340 acres from the Madison National Forest to create a townsite and to accommodate the railroad property of the Idaho Short Line. This parcel was so situated that it directly abutted Yellowstone National Park and its West Gate Entrance.¹

In 1927, the highway to Bozeman was improved, facilitating tourist access to the community by auto. Business activity was confined to the summer months, and the town served as a place to buy supplies for the journey into the Park. As the years progressed, the automobile began to supplant the railroad as the major means of bringing people to West and the Park. By 1950, it was reported that 370,339 visitors passed through the West Gate and of those 10,049 came by bus, rail or plane.² In 1960, public transportation entrants declined to 5,694 while total visitors reached 438,889.³ This heavy dependence upon auto traffic has continued to the present.

Aircraft access to West Yellowstone was improved in 1965 when the U.S. Government constructed the Yellowstone Airport and gave the facility to the Montana Aeronautics Division; which still owns and operates the facility. The facility has not been a significant influence in West's visitor traffic, as the airport is only open four months of the year and those that do enter the area by air represent only 1.5%

of summer visitors.⁴ This figure will likely decline as one of the two air carriers servicing the facility plans to discontinue service to West.

In addition to the improvement of air travel into West Yellowstone, the period since 1965 has also seen an increase in wintertime activity. During the winter season of December 1960 to March 1961, there were reportedly 516 snowmobilers through the West Gate.⁵ By 1966, there were 3,154 snowmobilers entering the West Gate.⁶ Table I on the following page shows the rise in wintertime activity in the Park. As activity and interest in winter sports developed, the town's businesses opened during the deep winter months to capture these recreational visitors. At present, over 50% of businesses in town are open for the winter season.⁷

TOURISM AND ITS IMPACT ON THE LOCAL ECONOMY

The fact that the economy of West has always been centered on one thing - tourism - is important. The town's business fortunes swing with the cyclical nature of the tourist industry. The elimination of vacations is often one of the first austerity moves a family takes in hard times. Several bad tourist years in a row would devastate the local economy.

Furthermore, West is not a destination resort in the summer

TABLE 1-GROWTH OF SNOWMOBILE USAGE IN YELLOWSTONE PARK

		Concessioner Snowcoaches	Private Machines	Total For Season**	Percent Change
1966-67	Machines	349	1,544	1,893	
	People	3,045	2,173	5,218	
1967-68	Machines	748	2,352	3,100	
	People	4,359	3,425	7,784	+49.2%
1968-69	Machines	728	4,726	5,454	
	People	4,249	6,076	10,325	+32.6%
1969-70	Machines	504	8,206	8,710	
	People	4,238	10,978	15,216	+47.4%
1970-71	Machines	625	11,614	12,239	
	People	5,241	14,188	19,429	+27.7%
1971-72	Machines	679	17,436	18,115	
	People	5,529	20,271	25,800	+32.8%
1972-73	Machines	602	26,826	27,428	
	People	3,846	31,774	35,620	+38.1%
1973-74	Machines	698	30,513	31,211	
	People	4,425	35,655	40,080	+12.5%
1974-75	Machines	776	26,400	27,176	-12.9%
	People	5,537	30,763	36,300	- 9.4%
1975-76	Machines	774	25,163	25,937	- 4.6%
	People	6,300	31,041	37,341	+ 2.9%
1976-77	Machines	508	20,476	20,984	-19.1%
	People	3,659	25,722	29,381	-21.3%
1977-78	Machines	935	26,563	27,498	+31.0%
	People	6,822	35,784	42,606	+45.0%
1978-79	Machines	1,087	25,432	26,519	- 3.6%
	People	10,211	32,819	43,030	+ 1.0%

Note - Winter season covers the period of December through April

(Source Yellowstone National Park, Park Service files)

months. That is to say, people do not travel with the sole purpose of going to West Yellowstone. The town is a point in passing. The destination is either Yellowstone National Park and to a remarkable degree, Park visitors consider the Park as only one stop of many to be made on a trip. Thus, the people in town one hour are not necessarily the same as those who will be in town the next hour. Once souvenirs and supplies are purchased, the tourists are on the road traveling to their next destination, and the business revenues derived from such quick sales are not as high as those made by people vacationing in one resort area for several days.

The tourist industry is a highly fragmented business activity.⁸ No handful of businesses dominates the field as, for example, is the case in most types of manufacturing. As a business group, the owners of the motels and restaurants which serve tourists usually act as individuals and attempts to combine efforts are difficult. Thus, these entrepreneurs are not able to effectively launch legislative efforts, as a group on the state or national level, which might benefit their businesses. In addition, the visibility of the industry has also been a source of question. For example, the U.S. Department of Commerce does not classify tourism as a separate industry. As a result, the special needs of the industry are not recognized as fully by the federal govern-

ment as the needs of business activities such as farming, medicine, or manufacturing. Thus, West Yellowstone's major industry is not able to effectively voice its special needs in the political process.

Further vulnerability is caused by the town's proximity to the Park, its reason for existence. To a large extent, decisions made about the Park can affect the community. For example, the original sale of land in the townsite was delayed five years by federal officials due to unfavorable opinions about the town's businesses and their selling of liquor in the era of prohibition. The 1973 Park Service Master Plan for Yellowstone Park attempted to develop a methodology to address increased automobile usage while retaining the pristine quality of the Park as mandated by Congress. The thrust of the Plan was for the Park Service to begin to develop resources outside the Park over a period of years and to relieve congested areas in the Park. Furthermore, the 1973 Master Plan advocated the development of parking lots at Park Entrances. Visitors would be encouraged to ride busses to view the Park. If this Plan would have been adopted, the community of West Yellowstone or the Park Service would have had to construct a massive parking facility to accommodate the 12,000 visitors a day which pass through the community in the peak summer season. This aspect of the Master Plan has been

downgraded in the 1976 revision of the Plan, but it does point out the inter-relationship between decisions about the management of the Park and the community of West Yellowstone. Also because of Park Service management policy, accommodations in the Park in terms of both bed and camper space, have not been increased in the past fifteen years.⁹ Thus, additional demand for sleeping accommodations has been absorbed by the nearby communities and National Forest Service Campsites.

EMPLOYMENT

In attempting to develop information on the town's unemployment rate, difficulties were reached at every turn. There is a complete absence of these figures as they relate directly to West. In spite of this lack of hard data, certain impressions about the employment picture can be developed based on the known characteristics of tourist activity. Employment is very cyclical in nature. During the summer season (June, July, August, Sept.) all shops are open. The volume of visitors is almost forty times higher during July and August than during the off-season months of November through April, as recorded at the Park Entrance.

The local work force can be categorized into two groups - owners and service laborers. Identification of the owners

is self-evident. The service laborers are those individuals who make the beds, serve the food, and in general attend to the needs of the tourist. Currently, they receive \$3.00 to \$3.50 per hour. In general, the large summer work force needed to serve the tourists returns to college or their residences in the fall. However, there is also reported to be a large, permanent work force living in the community that is also in this employment category.¹⁰ During the winter months, these individuals must seek unemployment benefits.

In Montana, employment information is maintained on a county basis and not further differentiated for individual communities. Gallatin County, in which West Yellowstone is located, has a relatively low unemployment rate. Thus, West with its high seasonal unemployment must cite county information when making funding applications. When these Gallatin County figures were used in an application for a federal housing program in West, the application was rejected because the employment figures cited were above the guidelines for the program.

TOURIST BUSINESS VOLUMES

With the exception of the two lumber yards and local accountants, contractors, and lawyer, all businesses in the town serve tourists. In communities with a broader and more diversified economy, the primary income generators (the motels

restaurants, curio shops, etc., for West) purchase their services and supplies from other local businesses. This creates the so-called multiplier effect and keeps the tourists' dollars in the local community producing additional jobs and stimulating business. West Yellowstone, for the most part, is dependent on outside sources for the goods and services it needs. Thus, a large portion of West's tourist income rapidly leaves the community and is used to make purchases from suppliers in Bozeman, Montana, and Idaho Falls, Idaho, both of which are located 90 miles from West.

In 1977, the Greater Yellowstone Cooperative Regional Transportation Study, GYCRTS, was undertaken to study the habits of people visiting the 17 county area which includes Yellowstone and Grand Teton National Parks. As part of this study, a survey was conducted to determine the expenditures of visitors to the area. The data was refined into expenditures per "visitor area" and then made to conform to existing records. West's "visitor area" comprised the area around the town and included land to the Idaho line, and the Hebgen Lake area. The study concluded that visitors in the West Yellowstone area spent \$17,161,000 or 16.19% of the total \$106,000,000 expended in the region.¹¹

Even though many visitors make only a brief stop in the community as noted earlier, few towns in the nation with the population of West Yellowstone have such a business volume. This fact leads one to believe that all is well in a community whose total business volume from tourism averages \$47,016 per day.¹² Certainly with that kind of business volume, the town ought to be able to care and pay for any governmental service which the residents desire. Yet, this is not the case as will be discussed in later chapters.

THE GOVERNMENT AND MUNICIPAL SERVICES

Culminating a twenty year effort, the town of West Yellowstone was incorporated in 1966. The geographical location of the town - 90 miles from Bozeman, the County seat - has to some degree influenced the services which the town provides. The government has sponsored services which are traditionally provided by the private sector when local businesses could not or would not assume the needed service. For example, the town provides the local Western Union Service and town buildings house the Medical Clinic. In categorizing the services which the town offers, an attempt has been made to provide functional classifications. Thus, services are separated into revenue producing and non-revenue producing. This is not intended to convey the impression that the revenue producing departments are net income

producers as many of them also require subsidies such as in-kind services from the town government. From an extensive series of interviews with local officials, it was determined that the following services are offered by the Town of West Yellowstone:

TABLE 2 - OUTLINE OF TOWN SERVICES

I. Non-Revenue Producing.

A. Public Safety

1. Police
2. 24-hour Dispatch
3. Fire
4. Refuse Site
5. Sewer System Management

B. Highways and Streets

1. Road Maintenance
2. Snow Removal

C. Social Services

1. Coordinator's Office
2. Parks & Recreation

II. Revenue Producing.

A. Public Safety

1. Ambulance
2. Medical Clinic Facility

B. Public Convenience

1. Swimming Pool
2. Day Care
3. Western Union
4. Cemetary
5. Museum Facility

The functions of the majority of departments listed above are obvious and do not need further explanation. However, to develop an understanding of the local government, certain services must be clarified.

1) 24-Hour Dispatch

The town maintains a 24-hour dispatch service as part of the police department. As such, it is the central radio communications link for the town's police, fire, and ambulance services as well as the county sheriff's local deputies, state police, and forest service. If West did not maintain this service, all radio traffic during local shut down hours would be relayed through Bozeman, creating obvious difficulties in coordination of emergency response capabilities.

2) Social Service Coordinator

The town serves as a model on a project to disperse governmental social services. There is a person on staff who acts as the local representative for the Montana Job Service and performs a social referral service for anyone needing assistance. The town contributes in-kind services in the maintenance of the office.

3) Day Care

In order to assist working mothers in the community, the town has sponsored a Day Care Center, offering state certified child care for working mothers and the occasional tourist who needs such services. The town performs book-keeping services for the Center and has lent numerous public employment enrollees in staffing the Center.

4) Western Union

The town undertook the Western Union Service desk from a local motel operator who planned to close its operation. The town has attempted to divest itself of this service unsuccessfully several times. At present, West continues to serve as the Western Union link in the community.

5) Sanitary Utilities

There is no community water system. Homeowners and businesses use individual wells. There is, however, a well-run community sewer system. It was formed in 1964 as a County-Rural Improvement District. The County Commissioners have given the Town Council supervisory control over the facility for convenience in providing administrative oversight and management.

6) Refuse Site

The town also provides and controls a site for refuse disposal. At present, the actual collection is conducted by a private party. The total method of garbage collection in the Madison River Drainage is presently under study and West has agreed to be one of the participating governmental bodies in the study.

7) Property Management

Finally, the town owns the buildings and grounds of the old Idaho Short Line Railroad complex. Several of these buildings are used by the town for city offices and shops. Two of the others are leased to individuals who, in essence, provide a

better town environment. These are the Medical Clinic and the West Yellowstone Museum. Both leases are undervalued, but both facilities are thought by town fathers to provide needed services - maintaining local access to a physician on a year round basis and preserving the history of the area.

With the exception of the newly created cemetery, all of the services listed above in Table 2 have received tourist impacts to some degree. Tourist usage in the revenue producing categorized departments is offset by the fees these departments charge for services rendered. The heaviest impacts are felt by the non-revenue producing departments. Data which indicates tourist usage by comparison with the 5 base town average is also more available for these departmental services. Therefore, it is the non-revenue producing departments and the demand placed upon them by tourists which will be discussed in Chapter 3.

POPULATION

Attempting to determine the population accurately for West is not easily accomplished. Census data is collected in April - a time of year during which residents are resting after the winter season and thinking of the summer season ahead and the local population is at its lowest.¹³ Recent housing surveys revealed that the population was an estimated 1239 residents during the summer months.¹⁴

In addition, this population can swell to 4,908 if all overnight accommodations are filled.¹⁵ For the purposes of data computation and comparison of communities, census/DCA figures for July 1, 1976 populations will be used as these figures are used by state and federal agencies; thus, West's population will be cited as 757. (In Montana, the Department of Community Affairs, DCA, is charged with compiling census data for the state and maintenance of these records). The fact that West Yellowstone's population is not steady and in fact is low when the census is taken creates a two-fold problem for the community. State/federal income redistribution formulas such as those revenue sharing and beer tax allocations are based in part on population. Secondly, facilities provided by the town must be planned for 6 to 7 times the size of the permanent population to account for overnight visitors and this increases the cost of any capital improvement. When facilities are planned, the community must explain to reviewing officials the necessity for large capacity systems to meet seasonal demands. Town services such as police and fire protection must also attempt to meet the demands of a fluctuating population base of the same factor, 6 to 7.

CHAPTER 2: TOURIST LEVELS AND PROFILES

For over fifty years, the National Park Service has maintained extensive counts of visitors entering through each of the five entrances to the Park. Interpretation of these figures has provided the primary indications of visitor activity in West Yellowstone. The counts are kept daily and compiled on a monthly basis with a year-end report. In 1978, the Park Service began a trial program to gather more information on in-park usage by visitors by performing random survey samplings of visitors. Therefore, with the Park Service entrance and survey information and the GYCRTS, a picture of tourism levels in West can be obtained.

VISITOR GROWTH

The GYCRTS concludes that if recent trends continue, visitor entrances to the Park will increase at an annual rate of 1.0 to 2.5%.¹ However, an examination of counts for particular entrances shows more precise trends. Figures for the West and South Gates and total Park count are given in Table 3 on the following page. Taking high/low visitor years into account, the West Gate figures indicate that this gate will experience a growth rate of 2% a year, or roughly 12,400 additional entrants a year. For the purpose of this report, the 2% growth rate is used to project increased tourist volumes in West Yellowstone. If the 2% growth rate is maintained, by 1995, one million will be recorded at the West Gate.

Table 3-Selected Park Entrance Counts

Calendar Year	Total Number of Visitors Recorded at Selected Gates		
	West Gate	South Gate	Total for Park
1978	832,653	764,050	2,623,141
1977	774,429	727,684	2,487,084
1976	767,308	741,184	2,525,174
1975	697,008	638,883	2,239,483
1974	630,891	530,512	1,928,915
1973	638,356	629,705	2,061,537
1972	693,019	683,727	2,246,827
1971	626,017	655,074	2,120,487
1970	689,786	704,106	2,297,290
1969	665,734	652,118	2,193,894
1968	694,854	681,614	2,229,662

(Source Yellowstone National Park, Park Service files)

Neither the GYCRTS nor the 1978 Park visitor survey contain information regarding the number of visitors leaving through any particular entrance. The Wyoming Highway Department conducted a study in 1967 on travel patterns in the state and Yellowstone Park. This study, as quoted in the GYCRTS,² reveals that the West Gate is used by 25% of all entering visitors to the Park and used by 27.3% of all existing visitors. In comparison, the South Gate is used by 37.4% of visitor entrants and 38% of existing visitors. Furthermore, GYCRTS states that "since 1955, the proportions of visitors entering the Park through the various gates has been relatively stable."³ If in fact these figures are correct, then West, which has had the highest entrance count in all but two of the past ten years (exceptions were in 1970 and 1971), must experience a high rate of cross back traffic or its entrance count would be lower in relation to the entrance count of the South Gate.

("Cross back traffic" is used in this report to describe the actions of those people who leave the Park and return to the Park. Typically, such people are buying supplies, souvenirs, etc.). Specific percentages of entrance traffic which do cross back will be available in the near future when the results of the 1979 Park Visitor Census will be in retrievable form.

If the information in the latest Park Visitor Census reflects the apparent high cross back traffic, then the data will support the conclusion that the community serves as a major supply point for Park visitors. As such the community and its government relieves Park Service personnel from some of the burden for providing visitor services. Unfortunately, the government of West Yellowstone can not now recover revenues for these services provided to tourists, and the financing burden is placed with local tax payers.

NATURE OF PARK VISITS

To further understand the community, one must be aware of the nature of Park visitation. Visitation is still highly seasonal with July and August being the heaviest tourist months. June and September add to the load. The following Table Number 4 pictures this demand in readily comprehensible fashion. GYCRTS estimates that almost all visitors arrive in the region by private vehicle. During the peak summer months, 84% of all visitors are reported to be travelling as a family and the average number of passengers in these vehicles is 2.9 persons.⁴

ENERGY AND TOURIST LEVELS

Because private transportation is the primary means of access to the Park and West Yellowstone, the energy situation

Table 4-Daily Visitors to West Yellowstone

<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>
351	782	372	139	2,284	7,766
<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>
12,763	12,212	5,634	1,453	161	303

*Daily visits are figured by assuming an equal number of persons exit from the west gate as enter and by taking the total visits per month and dividing by the number of days in the month. It should be remembered that this is only an estimated average and does not account for peak days such as the Fourth of July.

(Source West Yellowstone Master Plan, prepared by Rick Mayfield and Associates, March, 1979, p. 30)

is a critical factor in attempting to forecast future visitation levels and, indeed, the life of the community. At present, the future is uncertain with low supplies of gasoline expected to continue and a muddled energy picture. However, as noted in the GYCRTS, visitor increases immediately following the 1973/74 Arab oil embargo indicate that once shortages are eliminated, visitor entrances return to the same curve pattern as before.⁵ In 1973 & 74, the increased price of gasoline did not curtail travel as much as the shortage of gasoline did.

Further clarification on this matter can be gained when one compares the fluctuations in entrance figures for the West Gate, South Gate and total Park count. The most severe fluctuations in entrance count were experienced at the South Gate and the most moderate were experienced at the West Gate.

TABLE 5 - PERCENTAGE FLUCTUATIONS IN ENTRANCE TRAFFIC*

<u>Year</u>	<u>West Gate</u>	<u>South Gate</u>	<u>Total Park</u>
1978	7.52%	5.00%	5.47%
1977	.91	-1.82	-1.51
1976	10.09	16.01	12.76
1975	10.49	20.43	16.10
1974	-1.17	-15.75	-6.43
1973	-7.89	-7.90	-8.24
1972	10.70	4.37	5.96
1971	-9.24	-6.96	-7.70
1970	-4.37	-4.33	-1.60

(Source - Yellowstone National Park Entrance Count files)

*NOTE: Each figure cited above is the increase or decrease in visitors at a gate expressed as a percentage of the total visitors recorded at the gate during the previous year.

This table would seem to indicate that even during the gas shortage years of 1973 & 74, entrances via the West Gate are more stable and are not as adversely affected by such occurrences as the Park as a whole or the South Gate; ie. tourist demand on the West Gate is more constant.

The summer of 1979 provides the latest example of the effect of gasoline shortages on tourist volumes. During the height of gasoline lines in California and the East, entrances at the West Gate were down by as much as 40% (July, 1979). As gasoline became more available, the decline in entrance counts was not as severe. In September, 1979, the count was 13% below the previous year's recording.⁶

To date, mass transportation has not played a significant role in bringing visitors to the Park in recent years. Only 2% of visitors to the region traveled there by either bus, plane or rail.⁷ According to individuals at TAP, Inc., a consulting group which is conducting a feasibility study of the Yellowstone Airport, it was learned that the airline serving the airport is not, at present, planning to include winter service to the airport. A continuing bleak energy outlook could increase the role of mass transportation, but the segment would still play only a minor role in West unless a drastic re-ordering of our transportation system occurred.

CHAPTER 3: TOURISM IMPACTS ON TOWN DEPARTMENTS

The basic method used in this report to determine which costs can be attributed to tourist usage is one of comparison with other towns' costs in nontourism areas. In Montana, all third class towns use a common accounting system. The DCA, Local Government Services Division, is charged with assisting the towns in their financial reporting and preserving the records generated. Information has been kept in this common fashion since FY, 1974, and is available from the DCA, Research and Information Systems Division, RISD. In part, the information is only as good as the ability of local town clerks to understand the forms and to complete them properly. Yet, the information is, for the most part, reported in a consistent manner, and is, in fact, useful for the purposes of this study. (Figures for FY, 1979 could not be included as the reports for all of the base communities were not on file with DCA).

In order to establish a base for comparison with West, five communities in the state were chosen which were primarily not impacted by heavy tourism. Recommendations on the selection of these communities were obtained from officials at the Montana League of Cities and Towns and DCA,

The towns of Belt, Bridger, Manhattan, Twin Bridges, and Valier were selected by these officials as towns in Montana which most nearly suited the purposes of this study. For the most part, they are situated on secondary roads and, if on major highways, are close to other larger communities which receive the majority of tourist service demand. These towns all offer similar basic services and have few minorities. The populations of these towns as estimated on July 1, 1976 by the DCA Research and Information Systems Division were Belt 683, Bridger 768, Manhattan 934, Twin Bridges 685, and Valier 676. The average population of these five towns is 748 which compares favorably with West Yellowstone's estimated population of 757 on that same date.

This population figure used for West differs from population estimates prepared for use in the town's Master Plan. The DCA figure, while not as accurate for West as the figures cited in the Master Plan, are those figures which state agencies often use, and for this reason the DCA figure is used in this report.

Furthermore, only those key nonrevenue producing departments will be discussed in the following sections which experience the heaviest tourist demands and create the largest municipal expenditures in West. As these departments

and services are discussed, a clear picture of the town's budget crunches will appear. Financing for one department is at the expense of another.

GENERAL GOVERNMENT SERVICES

Expenditures in West for general government services - a DCA cost category including town council, police court, mayor, financial administration, legal, and buildings maintenance and operations costs - have risen progressively and at a steady rate when compared to the 5-base town average.

TABLE 6 - GENERAL GOVERNMENT SERVICE EXPENDITURES

Fiscal Year	1974	1975	1976	1977	1978
West	\$15,344	\$22,317	\$24,410	\$26,385	\$27,397
Average of 5-Base Towns	7,842	9,357	12,204	13,831	14,603
Absolute Difference	\$ 7,502	12,960	12,206	12,554	12,794

(Source DCA Research and Information System Division, RISD)

It would appear that West Yellowstone has almost double the cost of basic government services that nontourist towns its size require. It is assumed that for the most part these services were financed by general revenues, as it is impossible to trace the exact source of financing for this cost category. In examining the town's financial records, funding of general government services was reported from the general fund. Deposits into this account are made from property tax receipts, business licenses, and state shared revenues such as beer and liquor apportionments.

PUBLIC SAFETY

Examination of the Public Safety costs assists in highlighting the particular circumstances of West Yellowstone. This category includes the expenditures for police, fire and ambulance services. From the period FY 1974 to 1978, total public safety costs have increased in West 103% while the 5-Base Town average has increased only 49%. This fact stems in part from West Yellowstone's need to have 24-hour dispatch available. (The 5 towns do not have such service). Furthermore, West's public safety requirements are greater, especially during July and August when up to 12,000 tourists a day are in the community.

TABLE 7 - PUBLIC SAFETY EXPENDITURES

Fiscal Year	1974	1975	1976	1977	1978
West	\$48,806	87,633	74,135	85,114	98,930
Average of 5 towns	16,159	18,522	20,061	16,305	24,083
Absolute difference	32,647	69,111	54,074	68,809	74,847

(Source: DCA, RISD)

POLICE CRIME CONTROL

A more complete understanding of the work-load experienced by West's police department can be gained by examining FBI information on crime rates and reports on offenses listed in the "7 Major Crime Index." The Crime Rate is a nationally used statistical tool based on the number of crimes committed per 100,000 population. As shown in Table 8 presented below, West's crime rate is very high. This is caused in part by the necessity to mathematically extrapolate the figures from

West with its small population to conform to the standard crimes per 100,000 used nationally. The seven major crimes in the index of the same name include Homicide, Rape, Robbery, Aggravated Assault, Larceny-Theft, Burglary, and Motor Vehicle Theft. Figures for most of the five towns used for comparison purposes throughout this report are not included in this table because those towns' figures are included in county compilations and/or reporting is too spotty in some cases to be reliable. The population estimates used in the FBI report were included for comparison and do not coincide with census/DCA figures. Finally, the information is computed on a calendar year basis.

TABLE 8-CRIMINAL OFFENSES

	1977 Population Estimate	Crime Rate	Total 7 Major Crime Index Offenses			
			1977	1976	1975	1974
West Yellowstone	900	13,000	117	174	119	107
Cascade	740	8,243	61	62	18	NA
Harlem	1046	1,338	14	11	24	11
Phillipsburg	1145	753	9	9	6	32
Troon	910	6,154	56	55	15	6
Valier	680	5,441	37	7	NA	16
Average of 5 Town Figures	914	4,386	35.4	28.8	15.8	16
Absolute Difference	-14	8,614	81.6	145.2	103.2	111
% Difference For West		300%	330%	600%	750%	790%

(Source F.B.I. Criminal Offenses in Montana Reports)

Something must be causing West Yellowstone to consistently have a 7-Major Crimes Index which is 3-8 times higher than the composite of the other five towns. The vast majority of crimes are committed in West in the summer when tourism is highest.¹ Clearly, tourism must be a significant factor in the seemingly high crime statistics.

The correlation between crime rates and tourist activity can be further demonstrated by examining the "Monthly Return of Offenses Known to the Police" which are completed by the West Yellowstone Police Department and submitted to the Montana Board of Crime Control. As shown in the following Table Number 9, the number of crimes known to the police increases from an average of 8.3 in the nontourist season to a 38.25 average in the highest tourist months of July and August or a rise of 461%.

TABLE 9 - MONTHLY FLUCTUATIONS IN OFFENSES

Year	Number of Offenses Per Month											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1978	8	6	16	2	16	37	43	33	25	9	10	3
1979	9	6	8	10	5	27	38	39	28	-	-	-

(Source: Montana Board of Crime Control, Criminal Justice Data Center-Monthly Return of Offenses Known to the Police)

As related in Table 10 West has responded to the high volume of police work by steadily increasing its police budget. West has increased its budget for the department by 172% while the 5-town base average has increased only 21% in the same five year period.

TABLE 10 POLICE EXPENDITURES

Fiscal Year	1974	1975	1976	1977	1978
West	\$32,583	61,503	38,010	73,913	88,572
5 Base Town Average	\$12,925	13,297	15,648	14,951	15,632
Absolute Difference	\$19,658	48,206	22,362	58,962	72,940

(Source: DCA, RISD)

In order to respond to the workload, the town council has approved budgets in which the police department is the largest single expenditure of any department in the town government. For example, in 1970, the budget for police crime control comprised 17.6% of all expenditures. The percentage increased to 18.3% in 1974 and reached 33.4% of the total expenditures in 1978. (A lower percentage was reported in 1976, but this was due to unfilled positions in the department).

Funding for this department has been primarily from the general fund. An upper limit of 77-80% of the funds expended in the department came from the general fund. Funding for the police

department's special equipment needs has been generally from the Federal Crime Control Assistance Program. In the past, new officers were trained under the various federal training programs, such as CETA, but these funds are now "dried up." Future funding will have to come, to an even larger extent, from internal sources such as property taxes.

A 1978 report determined that on the average there are 1.47 officers and deputies per every 1,000 citizens in Montana.²

West has as many as 12,000 daily visitors in July and August in addition to its resident population. Using the 1.47 figure, the current staff of 4 positions in the police department and the one deputy sheriff officer permanently stationed at West could provide services for a community with a population of 3,401.

Thus the department's present size is sufficient to adequately care for the town's resident population and tourists for the months of October through May, using the state average. Even the projected start of Ski Yellowstone, a winter/summer resort planned near the community, will not significantly alter the demand for police services.³ Winter months will require an increase in police activity but the present force is sufficient to handle the increased load placed upon it by skiers from the resort shopping in the community.

There is a pressing need to develop an innovative means of providing additional public safety protection during the four busiest months of the year and still maintain a small permanent staff of qualified individuals. Because of the current municipal budget shortfalls, the police department's budget can not be increased to add more officers in the summer to cover the higher community population created by tourism. The department's budget can only be increased to cover present officers' salary and benefit increases and to conform to the general rate of inflation.

FIRE DEPARTMENT

While West's police budget has been increasing to meet increased pressures, the fire department budget has not. It has been a victim of conflicting budget requirements. The expenditures cited below in Table 11 include capital purchases. During FY 1974 and 1975, the expenses shown reflect heavy capital expenditures by West and by several of the base towns in FY 1978. Recently, West has not been able to allocate funds for this purpose while its present equipment ages. This fact becomes more critical when one realizes that the volunteer fire department is responsible for 155 commercial establishments. In comparison, the fire departments in the towns which comprise the 5-town base are responsible for protecting an average of about 30 commercial establishments each.⁴

TABLE 11 - FIRE DEPARTMENT EXPENDITURES

Fiscal Year	1974	1975	1976	1977	1978
West	\$13,245	16,848	8,592	7,377	4,885
Average of 5-Base Towns	2,069	3,361	3,140	865	7,994
Absolute Difference	\$11,176	13,487	5,452	5,512	-3,109

(Source: DCA,RISD)

Prior to 1973, no reliable financial information exists on the expenses of West's fire department. Since that time, 38% of the financing for the department has been obtained from federal revenue sharing funds which the town has received with the balance coming from general revenue sources.

To make future cost projections for the fire department is difficult. Certainly the town can not afford the paid staff that would be ideal during the four heaviest tourist months. To do so would be financially impractical. In the past five years, the budget has been decreasing, while at the same time, the number of fires has been increasing. In part this downward trend in financing allocations is due to the purchase of equipment in FY 1974 & 75. But the equipment is older now and additional equipment items will need to be replaced. Certainly, the ability of the department to respond to calls from the 21 structures which, if they caught fire, could lead to major conflagrations, is hampered by the lack of a community

wide water system. At present, the department must hook onto the old Idaho Short Line Railroad water system serving municipal offices. These lines were laid in 1907 and are in poor condition. Thus, the department must use motel pools as additional sources of backup water supply in fighting major fires.

In an interview with the fire chief,⁵ he estimated that conservatively over half of the 54 incidences in which the fire department became involved last calendar year were caused either directly or indirectly by tourists. This strong demand on the department is likely to continue. Thus, budgets will have to be increased and past shortages due to budget constraints must be corrected.

STREETS

West's streets, for the most part, were poorly constructed. Trees were leveled, pine needles were graded to one side if possible, a minimal gravel layer was added, and the street was then given a coating of tar with pebble overlay completing the surfacing. This method of construction is clearly below acceptable standards for even minimally used roads. The high traffic volumes experienced in West Yellowstone which include large campers and heavy service vehicles puts an unbearable burden on West's streets and is causing deterioration to occur and pot holes to appear. Even with the present condition of the streets, West's average expenditures on streets is 193%

higher than the 5-town base average as can be seen below:

TABLE 12 - STREET EXPENDITURES

Fiscal Year	1974	1975	1976	1977	1978
West	\$24,374	37,817	28,047	29,806	44,430
Average 5-Base Towns	\$10,099	16,114	20,461	27,038	18,299
Absolute Diff.	\$14,275	21,703	7,586	2,768	26,131
% Difference	241%	235%	137%	110%	243%

(Source: DCA, RISD)

In 1976 and 77, the five base towns undertook major street repairs while West was allocating resources elsewhere, thus explaining the disparity in percentages and budget allocations for those years.

In attempting to identify financing patterns for the department, motor vehicle and gas tax apportionment funds returned by the State were allocated to the street department. The financing patterns since 1976 would seem to indicate as shown in Table 13, that the town is able to finance its streets budget almost entirely from State shared revenues. While this may be true, it is not the entire picture. Revenues have matched expenditures only because there was insufficient funds in the total town budget to do more street maintenance and improvements. In essence, revenues have dictated expenditures. Unlike most small towns, in Montana, West performs the majority of its street construction/resurfacing and snow removal with its own street department per-

TABLE 13-FINANCING PATTERNS-STREETS

Fiscal Year	1968	69	70	71	72	73	74	75	76	77	78
<u>Revenues</u>											
Motor Veh.		\$1,681	6,112			8,977	9,970	12,557	14,915	17,251	18,377
Gasoline								3,904	9,241	9,821	9,052
Public Empl'y.											12,567
TOTAL		1,681	6,112			8,977	9,970	16,461	24,156	27,072	39,996
<u>Expenditures</u>											
Gen.Funds to Complete Financing	20,489	8,138	12,903	22,738	47,968	53,321	24,374	37,817	28,047	29,806	44,430
(Source-DCA, RISD and Town Files)	20,489	6,457	6,791			44,344	14,404	21,356	3,891	2,734	4,434

NOTE: In Fiscal Year 1976, \$12,619 was obtained to fund public program enrollees and in Fiscal Year 1977, \$19,913 to work on streets. These funds were not reflected in the town's expenditures for the department and are not shown above. The high figures in Fiscal Year 1978 is due in part to the inclusion of such employment funding in the department budget.

sonnel and equipment. Because of this fact, the various federal employment programs (such as the Emergency Employment Act-EEA, Public Service Employment-PSE, Community Incentive Program-CIP, and CETA) provided the department with the additional manpower it needed. The department was successful in placing an employee from one of these programs directly on its staff while finding positions for others with private contractors. In spite of the successful use of these programs as job training positions, these programs have all but been eliminated and the recent reduction in pay scales for CETA positions has eliminated incentives to enroll in CETA. Thus, the street superintendent does not expect to be able to have any of them available again unless the pay scales improve.

Any increase in the volume of tourism will place additional stress on the already poor condition of the town's streets. As traffic increases, the resulting wear on West's streets increases, not in a one-to-one ratio, but closer to a two-to-one ratio.⁷ In addition to deterioration of streets, the equipment used by the town to perform its street services is also reaching the age where replacement planning must begin. As one adds in the requirements for additional sealing of town streets, a very disturbing picture of need is developed.

The following equipment forecasts and resurfacing requirements as shown in Table 14 were developed from an interview with the town's street superintendent:

TABLE 14 - PROJECTIONS FOR STREET CAPITAL EXPENDITURES

Equipment Item	Current Age	Estimated Replacement Date	Estimated Cost at Replacement	
Dump Truck	1969 135,000 mi.	1981	\$ 35,000	
Grader	4,000 hrs.	1982	130,000	
Pick-up		1981	7,000	
Roller		1982	20,000	
Sub-Total			\$ 192,000	\$192,000
Street Repair				<u>200,000</u>
Department employees to seal all streets (Work should begin soon to maintain recently refinished streets at current levels)				
Total departmental needs for equipment and street Repair.				\$392,000

(Source: West Yellowstone Street Superintendent)

Increased usage of equipment in the repair of existing streets will increase its wear. In short, the town council will experience a severe crisis in securing funds to maintain West's streets at a minimally acceptable level in the next few years, unless the town can be allowed to develop additional sources of municipal revenues.

PARKS AND PLAYGROUNDS

Attempts to document local park usage by tourists were not successful. While there is no doubt that West's recreational facilities are used by visitors, no records exist to substantiate tourist demand. The town's historical expenditure for parks has remained basically the same for the past ten years, except when capital improvements were being made. During the early years of the town's existence, swimming pool expenses were apparently included with the expenditures for parks and recreation. Since 1974, there has been a clear separation of cost categories. The historical level of financing general park maintenance has been less than \$2,500 per year. When comparisons are made to the five town average it is clearly shown that this department has been a victim of the need to allocate resources to police protection and street maintenance.

TABLE 15 - PARKS EXPENDITURES

Fiscal Year	1974	1975	1976	1977	1978
West	\$12,492	2,366	1,751	2,764	9,529
5-Town Avg.	5,353	7,665	10,589	9,671	9,618
Absolute Diff.	7,139	-5,299	-8,838	-6,907	-89

(Source: DCA, RISD)

As in most small towns, the street and parks department are staffed by the same people. Time devoted to parks is time taken from streets. In like manner, salaries for personnel are included in the streets category which has the effect of reducing the actual expenditures for parks.

The town has had a problem with litter, and undoubtedly this problem in the parks and in the town in general, will continue. Spending levels for parks, including capital improvements, have averaged \$3,349 per year since the town was incorporated. Certainly, to maintain the parks at a minimal level of acceptability will require , using the historical expenditures as a guide, at least \$3,500 per year with suitable allowances for inflation.

SUMMARIZATION

Throughout the pages of this chapter, key departmental expenditures have been discussed, and comparisons made to the average expenditures of similar services in 5 Base Towns.

The fact that these differences in expenditures are there is direct evidence that some factor in West Yellowstone is necessitating higher expenditures. The communities in the 5-town base average were selected with the help of knowledgeable state level officials. These 5 towns were considered to be similar to West Yellowstone in respect to characteristics of the population, census population figures, and levels of municipal services offered. The only distinguishing characteristic is the fact that these towns do not experience large numbers of tourists in their communities. Thus, the difference in expenditure levels noted can be rightly attributed to the cost of providing municipal services to tourists. There is no other explanation.

By using the comparison method, West Yellowstone's service costs attributable to tourists were cited in the proceeding sections of this chapter. If one combines these differences, a picture of the total cost to the town of providing municipal services to tourists can be determined.

TABLE 16 - TOURISM COSTS

DEPARTMENT	COSTS ATTRIBUTABLE TO TOURISTS
General Government Services	\$12,794
Public Safety	74,847
<u>Streets</u>	<u>26,131</u>
Absolute Difference	\$113,772.

(Source: DCA, RISD)

The figures developed above are equivalent to 42% of the Town's expenditures for FY 1978 and are 105% greater than the revenues which the town obtained that same year from local sources (property taxes and licenses and permits).

CHAPTER 4: FINANCING TOWN SERVICES

In order to develop a clear picture of the financial situation of the West Yellowstone government, this section will discuss the opportunities for revenues and services from outside and internal sources. To accomplish this, the role of the federal, state, and county government programs as well as the town's efforts are examined. Again, to facilitate the discussion, the entity which has jurisdiction over the allocation of funds/resources will be the key item in categorizing the level at which the program is discussed. By this methodology, a federal program whose funds are administered at the county level will be discussed with the other county programs.

THE FEDERAL ROLE

In the early years of the town's government, it did not receive significant amounts of assistance from the national government. The percentages of federal funds to total receipts received by the towns are listed below:

TABLE 17 - THE RELATIONSHIP OF FEDERAL FUNDING TO

		TOTAL TOWN RECEIPTS									
Fiscal Year	1968	69	70	71	72	73	74	75	76	77	78
Fed. Funds Recd. as a Percentage of Total Receipts	0%	0%	0%	5%	7%	6%	14%	31%	35%	32%	39%

(Source: DCA, RISD)

The high percentages noted since 1975 are the result of federal revenue sharing and the town's participation in the various public employment programs - EEA, CETA, PSE, etc. Federal funds are not likely to continue to play such a significant role in the future. While revenue sharing is an established program, we now live in the era of Proposition 13 in which all programs are closely watched by legislators and the citizenry and officials of the National Municipal League are concerned that this program will be cut in efforts to balance the federal budget. The federal employment programs have been cut drastically. The effect of these reductions in West Yellowstone has been to reduce federal - hence municipal- revenues by almost \$57,000, (the amount received in FY 1978). West's department heads do not expect to be able to use these sources to augment their departments' staffs in the future even though the town has shown remarkable success in placing people in permanent jobs.

As part of the Phase IV investigation the various federal programs which could be of assistance to the community were examined. It was found that there were not many programs which could provide assistance to the community, as the large-scale federal programs housed in HUD, Labor, and Commerce/ EDA are keyed to assisting distressed areas and alleviating unemployment. While present in the community at times, these conditions can not be proved without the reordering of the record keeping system by the state unemployment security division and changes in federal program criteria.

THE STATE ROLE

Under the terms of the 1889 Montana Constitution, the state could not share its revenues with local government. Only since 1974 have funds from such sources as gasoline tax allocations and taxes on insurance companies been available to local governments such as West Yellowstone. These state shared revenues have become a significant source of revenue for the community as shown in Table 18.

TABLE 18 - STATE SHARED REVENUES

Fiscal Year	1973	1974	1975	1976	1977	1978
Total Shared Revenues Recd.	\$17,903	\$16,686	\$28,944	\$36,658	\$41,655	\$44,385
Total Expend.	133,668	177,830	208,550	184,593	207,687	265,148
% of St. Share Revenues to Total Expend.	13.3%	9.4%	13.8%	19.8%	20.1%	16.7%

(Source: DCA, RISD)

The problem with these state shared revenues is that the present redistribution formulas do not, for the most part, include allowances for returns based on high local consumption rates. The gasoline tax allocation formulas are based upon the population of each town as recorded by the 1970 census and the number of miles of streets in the community. The population of each town is expressed as a percentage of the population of all cities and towns in the state. In like manner, each town's street mileage is

expressed as a percentage of the total mileage in all municipalities in the state. The total municipal allocation of gas tax revenues for the state is equally divided between the population factor and the mileage factor. Using this methodology West Yellowstone has .19% of the total 1970 census population and .31% of the total mileage of streets in the state.

West's share of gasoline receipts which is used on local streets is harmed by this allocation formula. The census, as discussed earlier, is taken during a low period of residency in the town and the land-locked community cannot add streets until a Forest Service land exchange is completed - a lengthy and time consuming process. Furthermore, the allocation formula does not distribute sums based on gallonages sold. Thus, a town such as West which sells comparatively high amounts of gasoline does not see those revenues of gas tax it generates returned. The Montana Petroleum Association has been making gallonage reports in the state for a number of years. The reports are considered to be the best information on this topic in the state, and are compiled on a calendar year basis. The reports since 1974 were examined for the base towns and for West Yellowstone. During this period West reportedly pumped an average of 60% more gasoline than the base towns. Yet, since FY 1976, when the current allocation formula was mandated by state law, West has received an average payment of \$9,292 while the average allocation received by the base towns was \$9,656.

Thus, West, which pumps significantly more gasoline, receives less in returned gasoline tax revenues than the base communities. To further demonstrate the inherent inequalities in the present gas allocation formula, a comparison of gallonages pumped per dollar of state shared revenue returned is useful. One of the base communities was not cited in the comparison above due to low gallonages sold in the community. For every dollar of state shared gas tax allocations received, 43 gallons of gasoline were sold in the community. The other four towns used in the base comparisons received an average of \$1 for every 117.3 gallons pumped. On the other hand, West Yellowstone received \$1 for every 300 gallons of gasoline sold in the community.¹

The present beer tax allocation system also does not take into consideration local consumption. Under the present system, beer taxes are collected and credited to each municipality in the state according to the proportion that that town bears to the total population of all incorporated towns in the state as recorded in the last federal census. Thus, the consumption of beer in a community has no bearing on the amount of state shared revenues received by the town government. Furthermore, census data, which as shown earlier is questionable for West, is used as the basis for apportioning revenues. Montana statutes require that the municipal share of these funds are to be used for law enforcement, maintenance of the transportation system, and public health.

In the past all liquor sold in the state passed through the state liquor monopoly and its local retail stores. A "license" tax of 10% of the retailing selling price was collected. For each county in the state, the State received 1/3 of all liquor taxes collected, the county also received 1/3 of the taxes collected, with the remaining 1/3 distributed to each municipality in proportion to the amount of liquor sold in that town bears to the total amount of liquor sold in all incorporated towns in the county.

The state also provides law enforcement assistance. The Law Enforcement Assistance Program is administered in Montana by the State Department of Justice. West has been the recipient of comparatively sizeable assistance from this program in purchasing needed special equipment. In the past, these funds have been used to purchase radios, riot gear, and other special crowd control devices. Funding received for this purpose has been the following;

TABLE 19 - LAW ENFORCEMENT ASSISTANCE PROGRAM FUNDING						
Fiscal Year	1973	1974	1975	1976	1977	1978
Amt. Recd. by						
West	\$3,023	1,661	6,498	2,823	7,731	4,096

(Source: DCA, RISD)

In addition, the Montana Highway Patrol stations an officer in the community to serve the southern part of Gallatin County. The officer works out of the local police department office. Attempts have been made to negotiate with the Highway Patrol for compensation to the town for utilizing the local office, but there has been no success.

Mention should be made of the innovative approach to the delivery of social services which the state has sponsored in the community. Funding for the social services department has come almost exclusively from the state with in-kind services provided by the town in the form of utilities and office space. The department coordinator serves as the Job Service representative in the community, as well as a contact and referral service person for a long list of other agencies. This office was created out of a perceived need by the state to make its programs more accessible to a community which is situated 90 miles from the county seat. In many Montana counties, these services would only be delivered at the county seat, and the flexibility shown by the state in funding this program should be commended.

In an earlier chapter the GYCRTS figures for tourist business volume in the sub-area which included West Yellowstone was cited as being approximately, \$17,000,000.

Clearly, a majority of that income must be generated in West Yellowstone as the community has 90% of the businesses in the sub-area. In addition, the tourists who are spending these sums are for the most part from out of state. (The most recent visitor survey cited that less than 3% of those visiting the Park were from Montana.)² Thus, the community serves a vital role in bringing out of state dollars into Montana. For the community of West Yellowstone, tourism is a primary industry which adds to the state economy as a whole and contributes to funding state government.

This state income comes directly from taxation on such items as taxes on gasoline, cigarettes and tobacco products, liquor, and beer and indirectly from taxes on incomes of local business people. Estimates on the amount of direct state income generated in the community is developed in the appendix and is summarized below in Table Number 20.

TABLE 20 - INCOME GENERATED BY STATE TAXES

TYPE OF TAX	AMOUNT GENERATED IN FY 1978	RECEIVED BY WEST	BALANCE
Gasoline	\$224,283	\$9,052	\$215,231
Liquor	33,550	9,173	24,377
Cigarette	14,400	0	14,400
Beer	<u>27,500</u>	<u>2,195</u>	<u>25,305</u>
Total	\$299,733	\$20,420	\$279,313

(Source: DCA, RISD, and researcher's estimates)

THE COUNTY ROLE

The sheriff's office maintains one deputy in the area and uses the facilities of the local police department. Beginning this year, Gallatin County has agreed to pay West \$12,000 for its share of the costs of providing 24-Hour Dispatch service and office space for the deputy. In the past, the county law enforcement agency usually contributed about \$1200 to \$1800 a year to West as office space reimbursement. In addition, the county sheriff's office has provided an additional deputy in the community during the summer season or when the local force was reduced by unfilled positions.

The county is also responsible for the administration of several funds which are applicable to West. For example, the county levies a small property tax for ambulance services throughout the county. In areas closer to Bozeman, the funds go directly to St. Joseph's Hospital for their ambulance services. In outlying areas such as West Yellowstone, the county can reimburse the local ambulance service based upon a written agreement.

In addition, the county has received funds from the newly instituted reimbursement program from the federal government commonly known as "Payment in Lieu of Taxes". This program provides county governments with funds on certain categories of federally owned land "in lieu of" those they normally would

have received through the payment of property taxes if the land was privately owned. The disbursal of these funds is totally within the jurisdiction of the county commissioners. The program began in FY 1978, and has resulted in almost \$900,000 in revenues to Gallatin County. Of this amount, West Yellowstone has received \$56,000 directly and sponsored another \$25,000 allocation for a local snowmobile club.

In addition to the services provided by Gallatin County to the town of West Yellowstone, the county also derives tax income directly from the community through the county portion of the local property tax assessment. For example, in FY 1979, West had a total taxable valuation of \$1,472,896 and the county levied 35.71 mills in the community. Thus in FY 1979,

Gallatin County received \$52,597.12 in property tax revenue from the community.

THE TOWN ROLE

With the adoption of the Constitution of 1972, Montana operates with a dual system of local government powers: general government powers and self-government powers. West Yellowstone and a vast majority of communities in the state hold general governmental powers. The powers of municipalities with general powers are strictly limited by law in the forms which they may use to finance basic local government. Those entities with general

powers may levy taxes on real property subject to taxation. Usage fees for public utility services may also be developed to pay for such services as water and sewer. Current law also permits a municipal government to license business activity in the community.

Municipalities are empowered to adopt a single all-purpose mill levy up to a ceiling of 65 mills. The legislature has allowed some flexibility in allowing communities to surpass the levy limit for specific purposes mandated by law and in some cases, upon local voter approval. Yet, this increased levying capacity only allows communities to lay heavier burdens on those citizens already paying for municipal services - local property owners. The law does not currently permit communities with general powers to diversify the tax paying burden to other users of services - tourists in the case of West Yellowstone.

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In an attempt to fund local services the Town of West Yellowstone has used the general government financing powers granted to it to the fullest extent possible. For example, West is currently levying the maximum 65 mills allowed by law. This has enabled West to receive an average of \$86,819. from general property taxes in the period FY 1974-78. West has also used its powers to license business activity as a means of developing additional municipal revenues. During the five year period cited above the community received an average of \$15,495 from such licenses and

permits with about \$10,000 of that figure coming from the licensing of businesses. Obtaining revenue from licensing business activity has never been a strong revenue producing mechanism in Montana. (In comparison, Red Lodge, Montana, a tourist community with three times the population of West obtains about \$5,000 per year from business and occupational licensing.)

The community is also attempting to increase its land area; hence its tax base. The town is entirely surrounded by the Park and U.S. Forest Service lands. Because of this fact, the community can not expand by annexation as other communities can. Instead it must go through the process of a "land exchange". Consultants must be used who specialize in finding suitable pieces of property held by private owners which can be exchanged for land adjacent to the present town site. Only through this process can the community "grow". The current effort has been underway for a number of years and it appears that the exchange will be accomplished sometime in 1980. Then the town must find a person who will develop the land and build homes. The new housing created will add to the community's tax base.

The current tax base can also be increased by fostering redevelopment within the current corporate limits through mechanisms such as renewal programs. A step in this direction has already occurred when the community completed a master plan and hired a planner.

Two options appear to be open to the community to generate revenues from tourists. The community could by initiative adopt a self-government charter and then by council action pass a motel usage fee, as recommended in the Phase II report. This would generate an estimated \$112,000 in additional revenues for the community and would nearly equate to the cost estimate of tourist generated demand on local services developed earlier in this report. However, the language detailing the authority which a self-government unit has in adopting such a fee is unclear. In reading section(7-1-112) of the Montana Code Annotated, which discusses the powers of taxation for a self-government unit, the wording clearly denies such entities the power to adopt taxes on sales of goods and services and taxes on incomes without prior legislative approval. The confusion arises over the interpretation of the authority given to such entities to pass other forms of taxes without prior delegation by the legislature and which forms of local taxation - motel fees, wheel taxes, payroll taxes - are in fact permitted.

The only other recourse for the community is to seek changes in statutory law. West Yellowstone is not the only municipality in the state facing financial difficulty. (In FY 1979 there were 69 municipalities which were at the 65 mill levy limit).³

The financial pressures on West Yellowstone and other resort communities is more critical because of the inherently greater service demands created by tourists and the inability of municipalities with general governmental powers to levy taxes on such users. With each year more communities in the state are facing decisions to curtail services due to their inability to generate adequate revenues with current statutory authority. Thus, legislative action to increase local governments' ability to generate income and diversify the taxpaying base is clearly needed. Potential legislation of benefit to West Yellowstone was discussed in detail in the Phase III report. In summary form, action could be taken to; 1) clarify the power of self-governmental units to adopt specific forms of local option taxes such as motel fees, wheel taxes, etc., 2) allow communities to pass, upon local approval, any form of local tax including sales taxes, 3) enable the state to create a state-wide revenue sharing program from coal severance or income tax revenues.

SUMMATION

The economy of West Yellowstone is entirely based on providing services to tourists visiting Yellowstone National Park. Tourists travel to the community by car. Tourist volumes are seasonal in nature with over 12,000 visitors a day in the community during the months of July and August. This figure drops to an average of 350 persons per day during November - April. Even with increased emphasis on mass transportation, because of energy conservation measures, mass transportation will play only a small role in bringing tourists to the community and the Park. In recent years traffic at the West Gate has been increasing at a rate of 2% a year. The uncertain energy picture makes forecasting future rates difficult. During 1979, the fear of gasoline shortages reduced visitor levels 30% below 1978 levels for the months of May through October. If supplies are plentiful, then tourist volumes will likely return to the levels of 1978 and increase at the 2% level.

While all governmental services offered by the town receive some impact from tourism (except the cemetery), the police department shows the clearest impact of tourism. The town's 7 Major Crime Index is consistently 3 to 8 times higher than in other communities in the state with similar populations. Moreover, criminal offenses as reported to the Montana Board of Crime Control are 461% greater in July and August - the months of the highest

tourist volumes - then during the off season. Seeking to provide adequate protection to the citizens and visitors in the community, the Town Council has consistently allocated funds to this department on a priority basis, thus making the police department the largest single item in the town's budget.

With present rates of tourism, the town has, by allocating funds on a priority basis to the police department, been forced, for example, to underfund the streets, fire, and parks departments. The town raises the majority of its internal funds from property taxes, and the town has been levying maximum mills allowed by state law. Moreover, the town has aggressively used the licensing of businesses to generate further revenues. In the past, West has used the various public service programs to provide additional staffing, but these programs are being curtailed and/or so redesigned to be unuseable by requiring the programs to offer low wage scales. Factoring out funds from public service employment programs, Table 21 shows that revenues used by the town to finance local government services have been stable since FY 1976. While these basic revenues were stable, the Consumer Price Index has risen well over 20%.¹

TABLE 21 - BASIC REVENUES RECEIVED BY WEST YELLOWSTONE

Fiscal Year	1975	1976	1977	1978	1979
Federal/State shared revenues recd.	\$51,095	\$62,332	\$58,114	\$62,180	\$65,156
Town revenues generated from property taxes & business lic.	95,197	106,449	113,835	107,707	95,045
Total	\$146,292	168,781	171,949	169,887	160,201

NOTE: Public Service program monies have been omitted from the figures for federal revenues received.

(Source: DCA, RISD)

Clearly, the town is headed for financial disaster. The town council is faced with a Catch-22 situation. The street department has not received the priority in the allocations of financial resources which the police department received. The town's streets need repair and departmental equipment needs replacement. Yet, the resources allocated to the police department as noted above were not sufficient to adequately fund that department either. In West Yellowstone, no department has adequate funding.

Recently the town has received financial assistance from the receipt of state shared revenues. But, as shown in Table 21, even when these revenues are included in the town's total receipts, the funds available to West have remained stable since FY 1976. In addition, two of the state shared revenues received by West, gasoline tax allocations and beer tax reimbursements, are distributed by the state in such a manner that consumption is not taken into consideration in the allocation formulas. Thus, in a

town such as West Yellowstone where large volumes of tourists increase local consumption, there is, at present, no means for that community to receive increased allocations. In essence, West shares these badly needed revenues with other Montana towns and the state government.

The budget crisis will become more severe in the future. In two years, the street department will be facing the need to plan for over \$390,000 worth of capital expenditures for equipment and street repair. Municipal expenditures for general government services will increase at a rate of \$2,000 per year, and the police department budget must increase \$6,000 per year just to keep pace with inflation. Yet, the town does not have the financial resources to pay for these necessary expenditures.

The town under its present form of general governmental powers is limited in its ability to increase local revenues. One of the recommendations developed from this research effort is that the Town adopt self-government powers and pass a motel usage fee. The ability of the town to pass such a fee will likely be tested by a court action.

If the power to adopt a motel usage fee is struck down, then the only means the town government has to obtain additional revenues is to seek new legislation so that it may adopt special usage taxes. Without new legislation to improve and diversify

the taxing powers in the community, the ability to finance local services is going to be diminished to the point that cutbacks in services will be required.

During the summer of 1979, the municipal swimming pool was not operated as a means of cost saving. In conversations with local officials, it was learned that without increased revenues the pool may never be reopened. If the present trends continue without additional financing options, the town will be forced to further reduce services to the point that it will only provide minimal police protection and snow removal in the winter months. These service reductions will hinder the ability of the town to assist local businesses in an attempt to present an attractive place for tourists to visit. Out of state tourists will spend less, and this financial loss will be felt in the community, the county, and the state.

ESTIMATES OF STATE INCOME FROM SELECTED TAXES

The Montana Petroleum Association reports cited in Chapter 4 reveals that the average gasoline sales in the community for the past five years has been 2,803,541 gallons. Using the figure of 8¢ per gallon state gasoline tax which was levied in 1978, (the last year in the five year average) the community generated \$224,283 in state gasoline revenues.

The estimate for the total amount of state liquor taxes generated in the community can be accomplished by simple algebra. 30% of the revenue obtained from the sale of liquor is returned to the community and if the town received \$10,065 from this source in 1978, then the town generated an estimated \$33,550 in state taxes on liquor.

The wholesalers who distribute cigarettes in the community were contacted to obtain estimates of their sales in West Yellowstone. While no specific data was available to determine the exact numbers of packs sold, best guess estimates were obtained and these estimates can prove useful for the purposes of this discussion. During a normal year the wholesalers reported selling an estimated 120,000 packs. The state tax on cigarettes is 12¢ a pack. As a result of this reported sales activity, West generates approximately \$14,400 in revenues.

Finally, the distributors of beer in the community were also contacted to obtain estimates of their sales. Again, the distributors did not keep specific information on sales by communities and estimates had to be developed. The total estimated sales volume was 95,000 cases. With a 29¢ per case tax, this volume would result in producing \$27,550 in state beer tax revenue.

FOOTNOTES

INTRODUCTION

1-The standard definition used by the U.S. Travel Service defines a tourist as any person traveling over 100 miles on business or pleasure. This definition does not really apply to West Yellowstone where the nearest large service center, Bozeman, is 89 miles away. Therefore, the definitions in the introduction had to be developed.

CHAPTER 1

1-West Yellowstone's 70th Anniversary, 1908-1978. Sam & Ed Eagle, Eagle Company, Inc. West Yellowstone, Montana, 1978. Parts 1 & 2.

2-Yellowstone National Park Entrance Count Report for 1950.

3-Yellowstone National Park Entrance Count Report for 1960.

4-Figures received from a draft of a feasibility study of the Yellowstone Airport (Unpublished), by TAP, Inc.

5-Yellowstone National Park Entrance counts, 1961.

6-Yellowstone National Park Entrance counts, 1966.

7-Figures obtained during an interview with Harry Wasserman, former West Yellowstone Police Chief, May 22, 1979.

8-Destination U.S.A. Vol. 1, Chapter 5. The Economic Impact of Tourism, Report of the National Tourism Resources Commission 1973.

9-Interview with Jerry Phillips, Deputy Chief Ranger, Yellowstone National Park, June 15, 1979.

10-Interview with Social Services Coordinator and Job Service Representative, Andrea Withner, May 22, 1979.

11-Final Report, Greater Yellowstone Cooperative Regional Transportation Study, U.S. Department of the Interior, National Park Service and U.S. Department of Agriculture, Forest Service, February, 1979, P.202.

12-\$17,161,000 ÷ 365 days = \$47,016 per day.

13-Interview with Greg Lilly, Chairman of West Yellowstone Planning Board, June 8, 1979.

14-West Yellowstone Master Plan, prepared by Rick Mayfield and Associates March, 1979, p.26.

15-Estimated permanent and transient population 1,239 people
 Motels (1,074 rooms x 2.9 persons per room) 3,115
 Travel Trailer Parks (191 hookups x 2.9 persons
 per hookups 554
 4,908

2.9 is the average number of persons found to be traveling together during the summer months in the 1978 Yellowstone National Park Visitor Census.

Source for motel and trailer hookup figures, West Yellowstone Master Plan, IDEM, p. 26.

CHAPTER 2

- 1-Final Report, Greater Yellowstone, p. 27.
- 2-Regional Assessment, Summary Report, GYCRTS, December, 1978, p.25.
- 3-Ibid. P. 24.
- 4-Final Report, GYCRTS, p.35.
- 5-Ibid, P. 29.
- 6- Yellowstone National Park Monthly Entrance Counts, 1979.
- 7-Regional Assessment, P. 24.

CHAPTER 3

- 1-Interview with Wasserman, May 23, 1979.
- 2-Montana Comprehensive Plan for Criminal Justice Improvement, 1978. Montana Board of Crime Control, Helena, Montana, P. 80.
- 3-Ski Yellowstone Environmental Study, Ski Yellowstone, Inc. West Yellowstone, Montana, 1973., P. 5-27.
- 4-Information from interview with members of Volunteer Fire Dept., June 8, 1979.
- 5-Information from interview with Larry Kunter, Fire Chief of West Yellowstone, June 8, 1979.
- 6-Interview with Dan Mizner, Executive Director of the Montana League of Cities and Towns, August 31, 1979.
- 7-Information obtained from interview with Bill Dunbar at Federal Highway Administration, July 26, 1979. The Federal Highway formula is based on the number of 18,000 lb. vehicles which use a road. Doubling the number of these vehicles quadruples the wear.

CHAPTER 4

- 1-Gallongage figures were obtained from the "Montana Gasoline Gallongage Report, December," for the years 1974-78. The reports are prepared by the Montana Petroleum Association, Billings, Montana.

CHAPTER 4

2-Park Visitor Census Report, 1978.

3-Montana Taxpayers Association, "Report on Municipal Taxation", 1979

SUMMATION

1"Annual Purchasing Power of the Dollar", Bureau of Labor Statistics,
U.S. Department of Labor, Washington, D.C., 1979

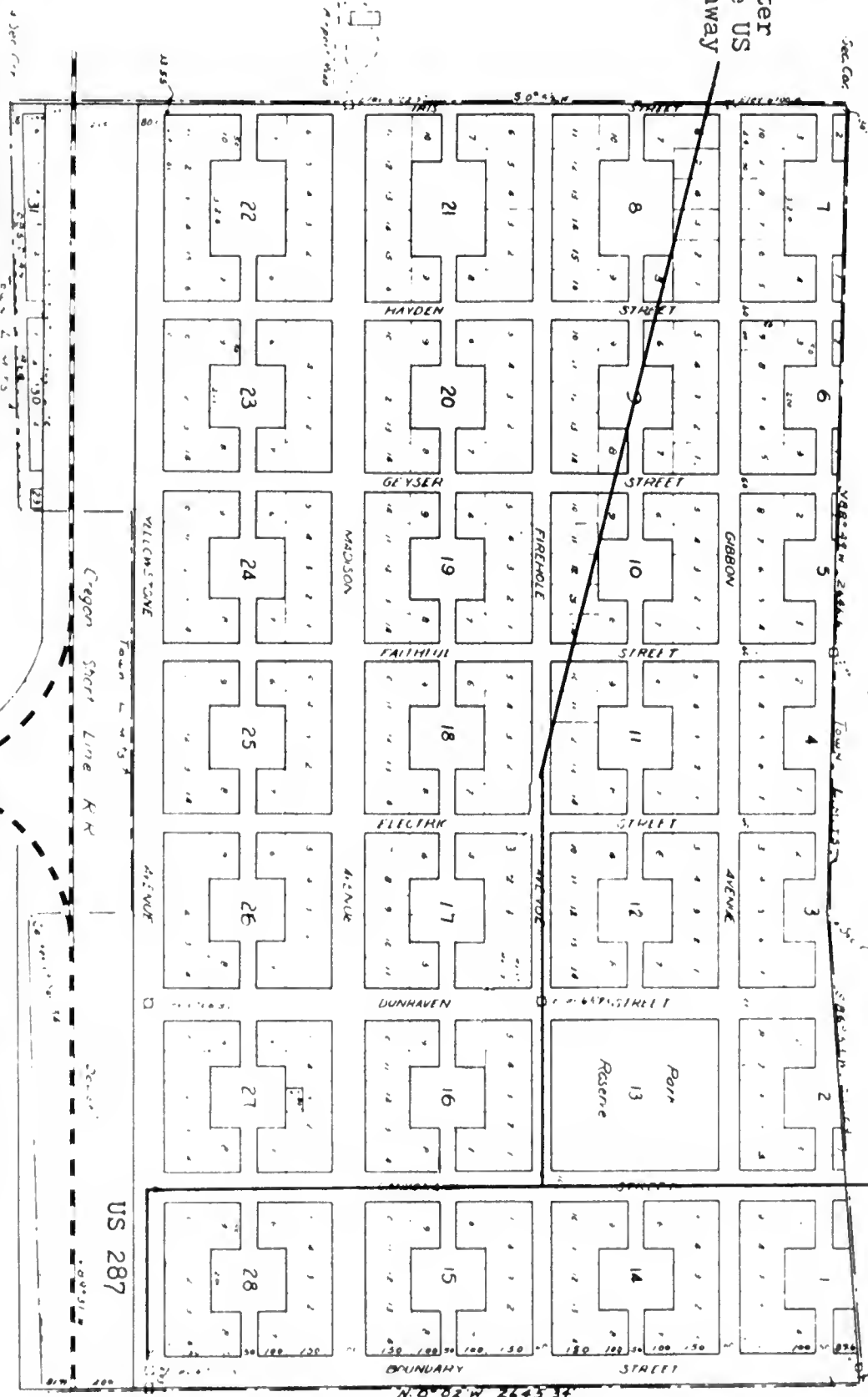
PLAY
OF THE TOWN, STATE OF
WEST YELLOWSTONE

LOCATED IN "WENBET SEC 34 TOWNSHIP 13 S R₁ WENBET 13 S
PRINCIPLE MICHIGAN MONTANA.
SCALE 30 FT = 1 INCH.

TOWN LIMITS THUS -----

Center
Line US
Highway
191 & 287

Center
Line US
Highway
191



WEST GATE
Entrance to
Yellowstone

